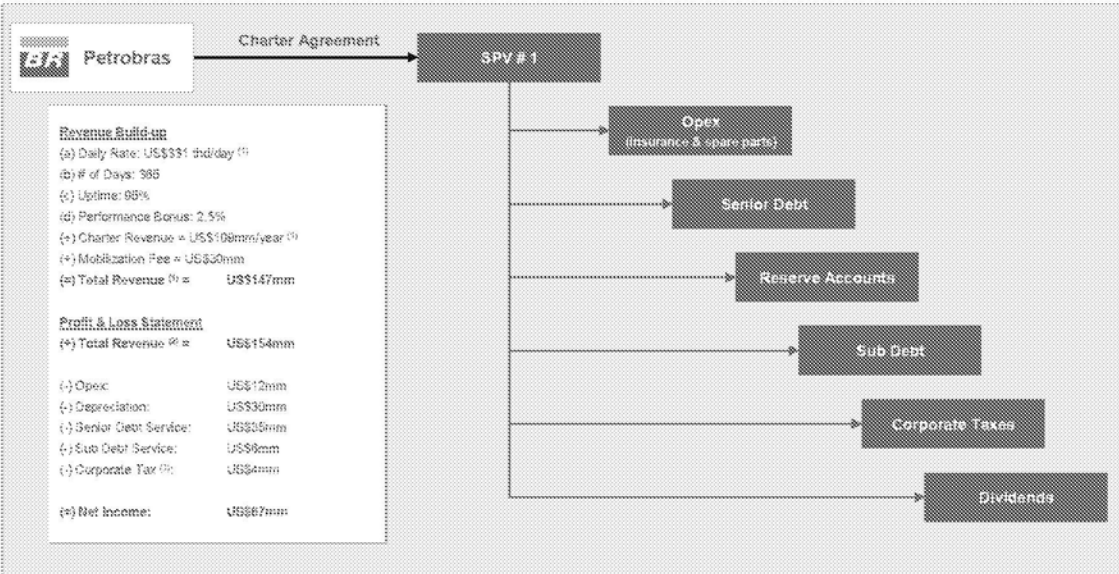


## Summary of Key Assumptions

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The SPV's P&L is simple, with one source of revenue (charter agreement) and commitments with opex and debt service. The remaining cash is distributed as dividends

### Illustrative P&L of Operating Year 1 (SPV #1)




(1) 2016 Dollars.

(2) Annual Revenue, includes adjustment related to EPC extension.

(3) Corporate tax on this mobilization fee annual. The SPVs are eligible for tax sparing credits from the Charter Agreement.

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**Appendix: Tax Summary**

Sete Brazil has set up the SPVs and the international holding company (Sete International) in tax efficient jurisdictions well-known in the O&G sector

**Summary of Key Fiscal Aspects****Austria**

- \* Sete International located in Austria
- \* Double Tax Treaty Brazil-Austria for the avoidance of double taxation
- \* 15% withholding tax on dividends
- \* Dividends (and consolidated profits) are not taxed in Brazil
- \* 0% withholding tax on interest payments

**Netherlands**

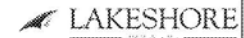
- \* SPVs located in Holland
- \* No withholding tax on dividends between the Euro zone
- \* US\$ functional currency
- \* Double Tax Treaty Brazil-Holland for the avoidance of double taxation
- \* Tax Sparing Credits on Charter Revenues (20% corporate tax credits)

**REPETRO Program <sup>(1)</sup>**

- \* Special Import and Export Program for the oil and gas industry
- \* Established in 1999
- \* Avoids several taxes on equipment and services, such as, import taxes, IPI, PIS/COFINS and VAT (ICMS)
- \* SPVs must be offshore

Source: Data Brazil and Clarim Consultoria Administrativa.  
(1) Regime Adicional Especial de Importação e Exportação.

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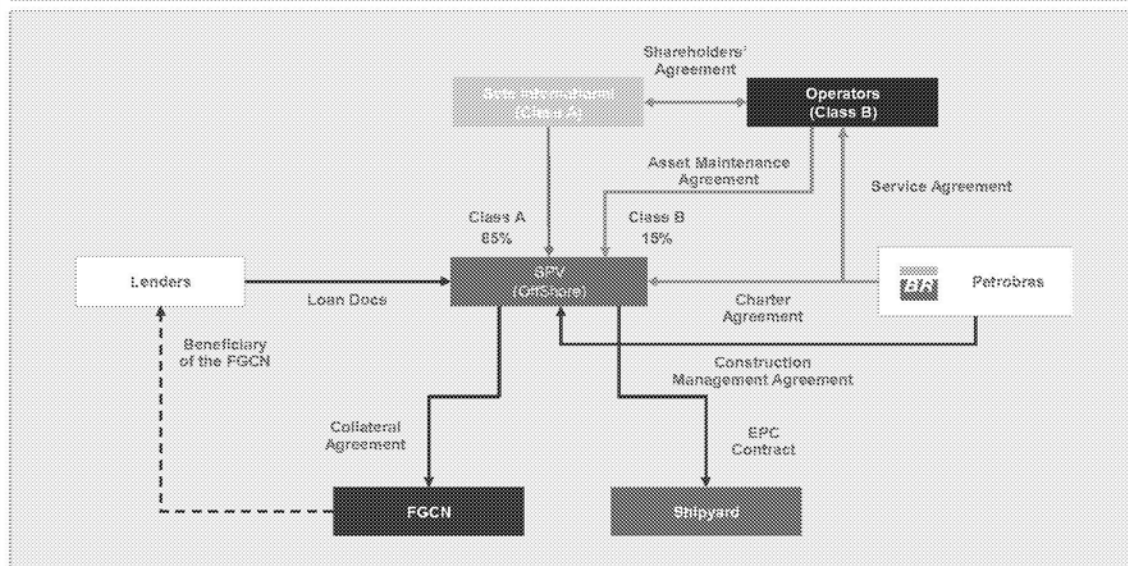


## Appendix: Key Contracts



## Key operational contracts

## Summary of Contractual Structure



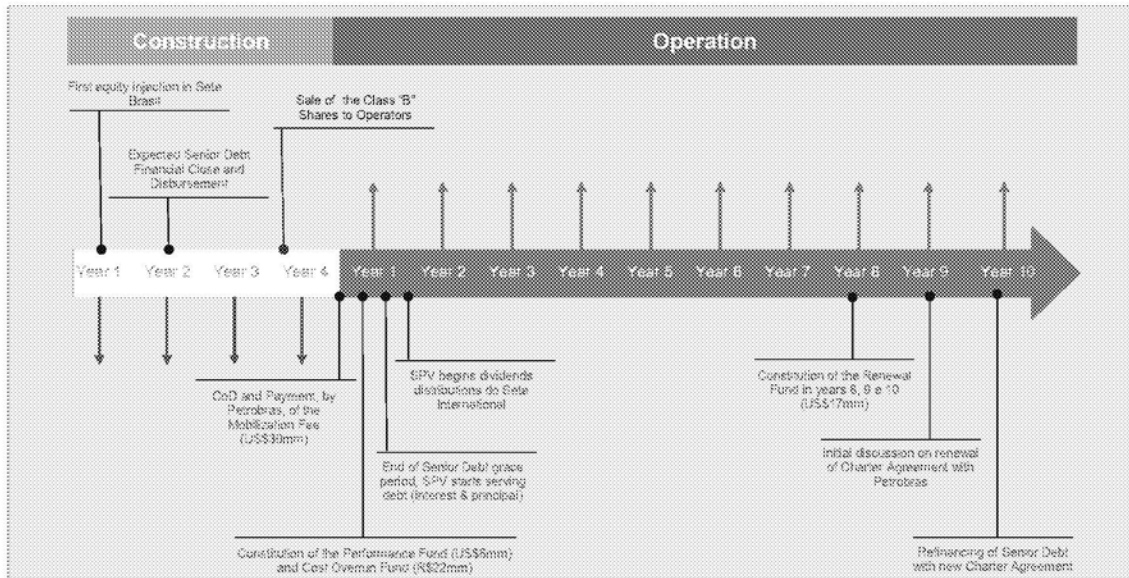
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## Appendix: Cash Flow Timeline



The chart below illustrates the key cash flow milestones for a single SPV

### Key Cash Flow Milestone



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## Appendix: Asset Type



EAS is the largest shipyard in the Americas and has Samsung Heavy Industries as a shareholder

## Asset Type

- Type: Drillship – according to Petrobras, it is the appropriate asset type for drilling in distant locations (far from the continent) as it is better suited for mobility and can cover large areas, such as the Pre-salt
- Utilization: besides the drilling activity, rigs are utilized for well control in order to increase productivity and longevity of the wells
- Shipyard: EAS (first set of 7 rigs)
- Drilling Capacity: up to 3,000m of water depth and up to 7,000m of Pre-salt wells
- Key Characteristics:
  - Dynamic positioning system
  - 6th generation, state-of-the-art UDW rigs
- Commentary:
  - risk of technical obsolescence for at least the first 25 years of the rigs' lives is therefore regarded as negligible <sup>(1)</sup>
  - Average age of the global offshore rig fleet is 22 years old <sup>(1)</sup>

## Estaleiro Atlântico Sul ("EAS")

- Sponsors: Camargo Correa, Queiroz Galvão, Samsung Heavy Industries and PJMR
- Location: Suape, Pernambuco (Brazil)
- Technological Partnership: Samsung Heavy Industries
- Commentary:
  - Largest shipyard in the Americas – steel processing capacity of 160thd ton/year
  - Founded in 2005, sponsors have invested already R\$~2.0bn
  - Besides Sete Brasil backlog, EAS was selected as the key shipyard for most of the Transpetro's <sup>(2)</sup> tanker vessels
  - 2 dry-docks
  - Capacity to produce Tankers, Bulk Carriers, Container Ships, Cargo Ships, Chemical Carrier, Drilling Ships, Semi-submersible, FPSO, TLP and SPAR

<sup>(1)</sup> Source: ODS-Petrobras Market Report (May 2010).  
<sup>(2)</sup> Petrobras' subsidiary.

## Appendix: Credit Enhancements



Sete International will host three credit enhancement funds funded by the dividends from the SPVs

### Summary of Key Credit Enhancements

#### Contingency Reserve Account

- Objective: fund eventual pre-completion costs not considered in the sources and uses
- Utilization: finance extraordinary pre-completion costs
- Amount: US\$150mm (~US\$22mm per SPV)
- Constitution: the reserve account will be funded in the first operating year of each rig with resources from the mobilization fee
- Location: Sete International

#### Performance Fund

- Objective: mitigate operating risks, such as downtime lower than expected
- Utilization: debt service and operational expenses
- Amount: US\$56mm (~US\$8mm per SPV)
- Constitution: the reserve account will be funded in the first operating year of each rig with resources from the mobilization fee
- Location: Sete International

#### Charter Agreement Renewal Fund

- Objective: mitigate risk related to the renewal of charter since tenor of senior debt is longer than the charter <sup>(1)</sup>
- Utilization: fund debt service during the period the rig is not contracted (operating)
- Amount: US\$117mm (~US\$17mm per SPV)
- Constitution: the reserve account will be funded with the SPVs cash flow generation in operating years 8, 9 and 10
- Location: Sete International

Source: Data from. Amount indexed for the first set of seven deliveries.  
(1) in the case of the SPVs with 10-year charter contracts.

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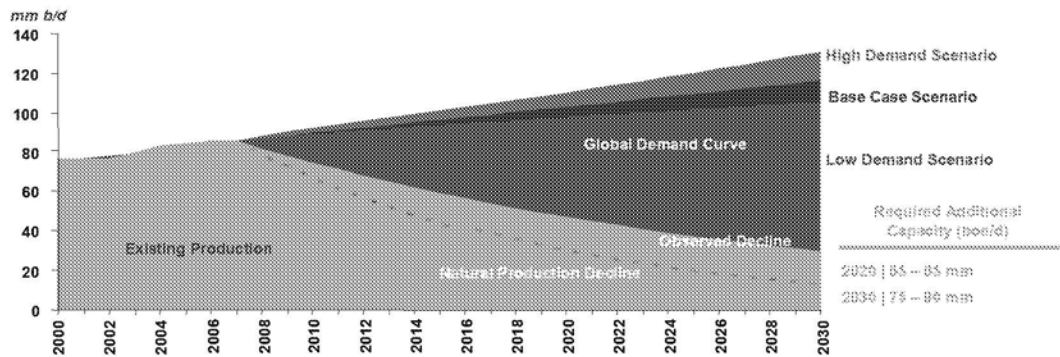


## Appendix: Project Rationale



Production from new discoveries is set to play an increasing role in world supply in the next 20 years

### Projected Global Demand for Oil <sup>(1)</sup>



The global production through existing reserves will not fully supply the projected demand, consequently, the world will depend on new discoveries. Additionally, oil is expected to remain the dominant fuel in the primary energy matrix for the foreseeable future

<sup>(1)</sup> Source: IEA World Energy Outlook 2007, IEA International Energy Outlook 2007, Envision OPEC

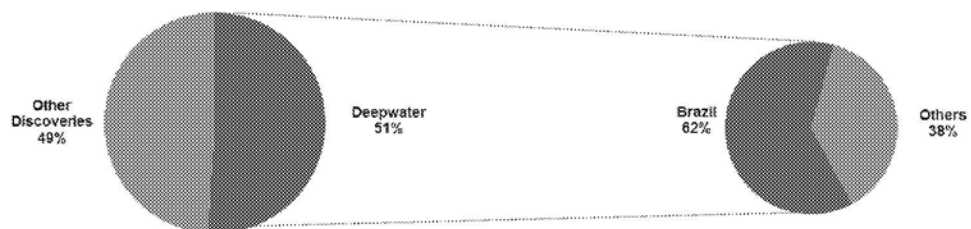
## Appendix: Project Rationale

setebrasíl

Deepwater discoveries in Brazil represented ~1/3 of the global discoveries in the last five years

New Discoveries (2005-2010)

Deepwater Discoveries (2005-2010)



In the last five years, more than 50% of the global discoveries (17.3bn bbl) were made in deepwater and 62% of these discoveries are located in Brazil

Source: Petrobras and PFC Energy.

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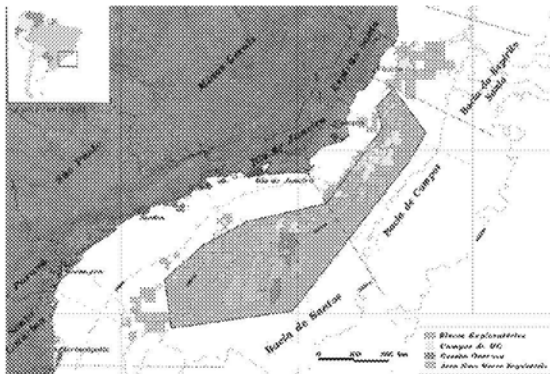


## Appendix: Project Rationale

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The discovery of the Pre-salt reserves is landmark in the global O&G industry and will attract large amounts of investments in the years to come

### Introduction to the Pre-salt



- \* Total Area: 149,000 km<sup>2</sup>
  - \* Area under concession: 45,615 km<sup>2</sup> (~39%)
  - \* Area to be auctioned: 103,385 km<sup>2</sup> (~61%)
- \* Depths:
  - \* 1,000-3,000m (water depth)
  - \* Up to 7,000m (basins)
- \* Announced 2P Reserves:
  - \* Pre-salt (south cluster): 9-14bn boe <sup>(1)</sup>
  - \* Campos Basin (Post-salt): 8-9bn boe
- \* Drilled wells (as of 1Q'2011):
  - \* Campos Basin: 630
  - \* Pre-salt (south cluster): 21

Petrobras' long-term business plan is based on a rapid development of the O&G wells of the Pre-salt reserves. Consequently, Petrobras has to successfully implement an aggressive drilling program. The current global supply of state-of-the-art rigs is not able to attend Petrobras' needs. This scenario creates favorable conditions for the creation of a new company, Sete Brasil, focused, initially, in supplying high spec rigs to Petrobras

Source: Petrobras and Sete Brasil.  
(1) 1-4bn boe (5-6bn boe), Santos Basin (1-2bn boe) and Pre-salt (3-4bn boe).

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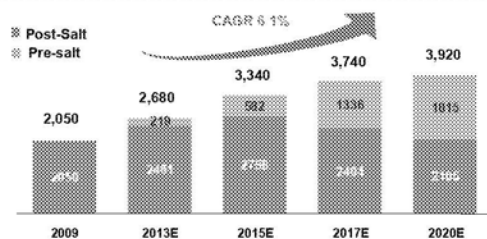
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## Appendix: Project Rationale



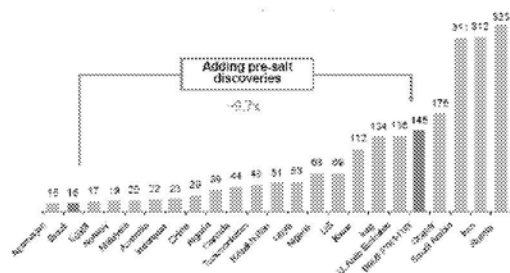
Petrobras forecasts an increase in the participation of the Pre-salt in the domestic production from 2% in 2011 to 40% in 2020

Petrobras' Projected Domestic Production (thd bpd)

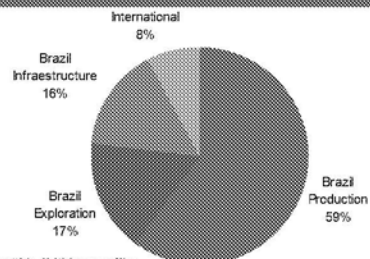


Source: Petrobras 2011-2015 Strategic Plan

Estimated Reserves including Pre-salt (bn boe)

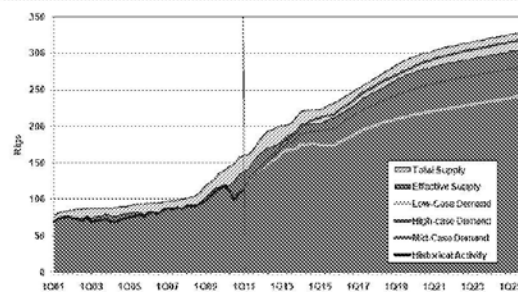


Source: E.P. Database Project of World Energy (2010) and Wood Mackenzie Research

Petrobras' E&P CAPEX is estimated at US\$128bn <sup>(1)</sup>

Source: Petrobras 2011-2015 Strategic Plan (1) 2011-2015

Projected Global Deepwater Supply and Demand



Source: 2015 Petrobras (2015)

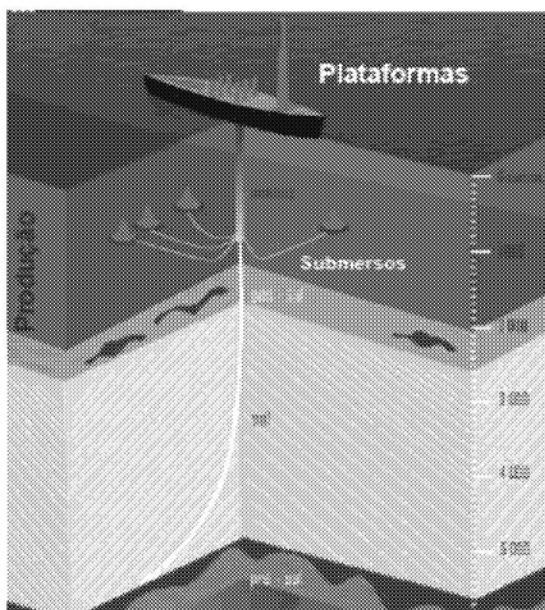
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## Appendix: Project Rationale

setebras 

Petrobras' Pre-salt drilling program includes chartering 40 UDW new rigs for the blocks already auctioned (only ~39% of the Pre-salt area)



## Commentary

- The 40 rigs (both drillships and semi-submersibles) are expected to start operations in 2011-2019 period:
  - The initial 12 rigs were contracted in 2007 and 2008 and are expected to be delivered in 2011-2012. These rigs are currently being built in offshore shipyards
  - The second set of rigs were chartered to Sete Brasil, and the drillships will be build at the EAS Shipyard
  - Petrobras is carrying out an international auction for the remaining 21 rigs <sup>(1)</sup>

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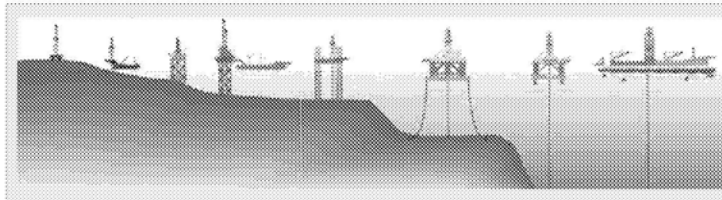


## Appendix: Project Rationale

setebrasil

6th generation drillships and semi-submersibles rigs can reach up to 10,000 feet of water depth

### Evolution of Drilling Rigs



#### Fixed Platforms

- First offshore rigs developed
- Preferred technology for water depth of up to 150m
- Modular steel structures fixed to the sea floor
- Not equipped with thrusters or extra generators

#### Jackup

- Mobile type of platform that is able to stand still on the sea floor, resting on supporting legs
- Typically used in shallow waters
- The jackup is maneuvered - self-propelled or by towing
- There are over 400+ jackup rigs worldwide

#### Semi-submersibles

- Offers greater stability -- thus less affected by wave loadings than ships
- Buoyancy from ballasted, watertight pontoons located below the ocean surface
- Semisubs can be towed into position by a tugboat and anchored, or moved by their own propellers with dynamic positioning
- 8th generation technology (available since 2005) can reach 10,000 feet of water depth

#### Drillships

- Ship-shaped vessels with rigs mounted in the center
- Developed for deepwater exploration
- Drilling tower located in the center of the ship
- Has better navigation capabilities
- Greater storage capacity
- Dynamic positioning system (complex system of thrusters to keep the ship in the desired position)

Source: Data Group

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## Appendix: Deepwater Drilling Industry



The Pre-salt is the largest UDW market worldwide and Petrobras is the lead-operator

### Sector Highlights

- \* Favorable oil prices and increasing investments in E&P
- \* Trend towards more challenging and complex resources continues
- \* The supply side of the deepwater rig market is fragmented, with nearly 40 companies involved in managing the fleet. The top five contractors, namely Transocean, Diamond, Noble, Ensco and Seadrill, between them account for only a little more than half the fleet
- \* Latin America, where Brazil represents the bulk of the demand, is expected to present the highest growth rate in demand for deepwater rigs. Petrobras is by far the most important operator by any measure and currently leases half of the ultra-deepwater rigs in the world <sup>(1)</sup>
- \* Petrobras' initial demand for 39% of the auctioned area of the Pre-salt is 40 rigs and new ANP <sup>(2)</sup> auctions are expected to take place in 2H'2011
- \* ANP minimum local content rule (and penalties) in the O&G industry creates entry barriers to take advantage of the Brazilian demand
- \* Shortages and surpluses are not expected to be very great and therefore the fluctuations in day rates will be relatively limited
- \* Oil industry is in general fairly conservative and the offshore drilling industry is no exception. The risk of technical obsolescence for at least the first 25 years of the rigs' lives is regarded as negligible
- \* Redeployment opportunities for the Sete's rigs are also available: Gulf of Mexico, West Africa, Indian Ocean, Australasia and Southeast Asia

Source: Petrobras, Sete Brasil and O&G Petrodata.

(1) Considering rigs with water depth capacity >10,000 feet.

(2) Agência Nacional de Petróleo, Gás Natural e Biocombustíveis (Brazilian Oil & Gas Agency).

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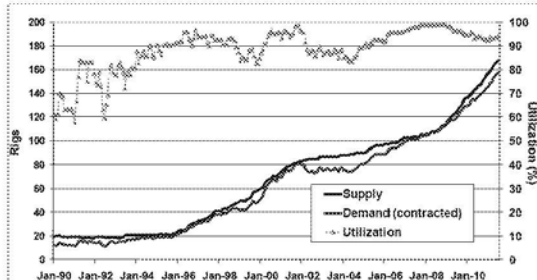


## Appendix: Deepwater Drilling Industry

sete**brasil**

Today there are more than 160 deepwater rigs in operation with at least 70 under construction and on order

### Historical Deepwater Fleet Evolution

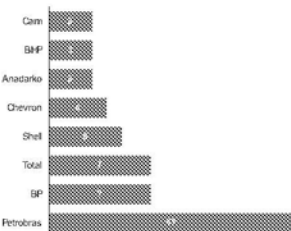


### Commentary

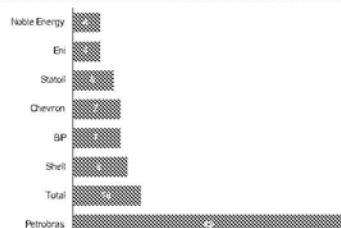
- In the early 90's deepwater rigs represented a small percentage of the offshore industry. The first growth cycle was in the mid 90's and second growth wave started in 2007
- Utilization during the last 15 years was high
- Deepwater drilling activity concentrated in Brazil, Gulf of Mexico and West Africa
- Supply side fragmented, 40 companies involved in fleet mgmt

Note: Deepwater rigs: water depths > 3,000 feet. Source: OOS-Paradisa, as of July 2011  
 (1) Excludes Petrobras' auction to charter additional 21 UJOM rigs. Deepwater rigs: water depths > 3,000 feet.  
 (2) Includes operating boats and assets under construction.

### Deepwater Fleet By Operator <sup>(1)</sup>



### Ultra-Deepwater Fleet By Operator <sup>(2)</sup>



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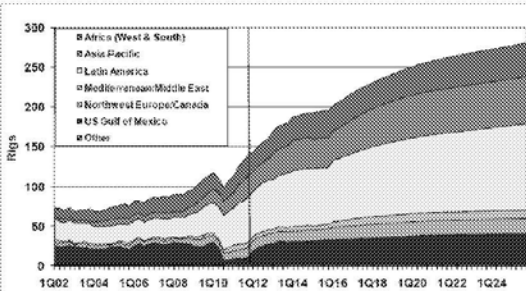
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## Appendix: Deepwater Drilling Industry

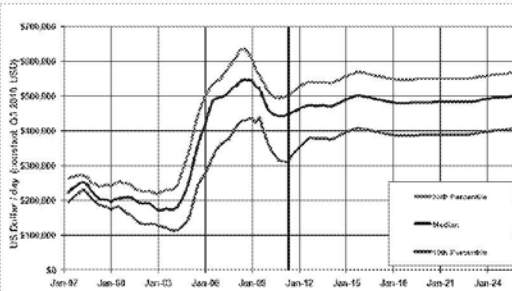


Brazil and Petrobras are expected to drive the global deepwater rig demand, and low volatility is expected in day rates

Deepwater Fleet By Operator <sup>(1)</sup>



Historical and Projected Daily Rates <sup>(2)</sup>



### Commentary

- Latin America, where Brazil represents the bulk of the demand, is expected to present the highest growth rate in demand for deepwater rigs
- However, redeployment opportunities are available (Gulf of Mexico, West Africa, Indian Ocean, Australasia and Southeast Asia)
- ODS-Petrodata forecasts a steady supply of newbuild rigs, thus relatively flat daily rate projection
- Utilization of global supply of rigs is expected to remain high (90%+)

*Note: Deepwater rigs: water depth > 3,000 feet. Ultra deepwater: water depth > 7,500 feet.*

*(1) Source: ODS-Petrodata, as of July 2011.*

*(2) Source: ODS-Petrodata, as of July 2011.*

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## Appendix: Risk Matrix



Risk	Typical Mitigants	Additional Mitigants
<b>Construction &amp; Engineering</b>	<ul style="list-style-type: none"> <li>• Existent design with proven and successful track record and performance</li> <li>• Experienced shipyards with proven track record in the construction of similar ships</li> <li>• Minimization of interference areas between the project design and the shipbuilder</li> <li>• Centralized supervision of the entire process</li> </ul>	<ul style="list-style-type: none"> <li>• Construction process of the drillships remains under direct supervision of Petrobras</li> <li>• Learning curve and productivity gains embodied by shipyards through the repetition of the same building process</li> <li>• EAS counts on Samsung Heavy Industries' technical support – the world largest shipyard</li> </ul>
<b>Delay</b>	<ul style="list-style-type: none"> <li>• Existent design with proven and successful track record and performance</li> <li>• Experienced shipyards with proven track record in the execution of the chosen design</li> <li>• Permanent supervision and monitoring program during construction phase</li> <li>• EPC contract with Delay Liquidated Damages clause</li> </ul>	<ul style="list-style-type: none"> <li>• Use of the FGCM funds to pay interest and principal installments due until the start of commercial operations of the rig</li> <li>• Learning curve and productivity gains embodied by shipyards through the repetition of the same building process</li> <li>• Construction period of ~4 years (similar assets are built in 2-3 years offshore)</li> </ul>
<b>Cost Overrun</b>	<ul style="list-style-type: none"> <li>• Existent design with proven and successful track record and performance</li> <li>• Turn-key date certain lump sum EPC contract</li> <li>• Permanent supervision and monitoring program during construction phase</li> <li>• Comprehensive insurance package during construction (BAR, DSU, Loss of Hire...)</li> <li>• World class owner's engineering firm</li> </ul>	<ul style="list-style-type: none"> <li>• Economic re-equilibrium clause in the EPC contract that establish cost overruns will be covered by the parties that cause to them (if Petrobras, through an increase of daily rate)</li> <li>• Direct supervision of the building process by Petrobras and the owner's engineering firm</li> <li>• Contingency Reserve Account (~US\$150mm)</li> </ul>



## Appendix: Risk Matrix



Risk	Typical Mitigant	Additional Mitigants
<b>Performance</b>	<ul style="list-style-type: none"> <li>• Selection of world-class and experienced operators</li> <li>• Penalties and bonus clauses in the operation agreement that mirror charter agreement clauses</li> <li>• Insurance package during operational phase</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution of a Performance Fund, with the contribution from all SPVs</li> <li>• Operator, as Class B investor, also has aligned interest to achieve high performance levels</li> <li>• Replacement clause in case of consistent low performance levels</li> <li>• Petrobras' strong commitment to the project as sponsor and owner's engineer provides additional comfort, specially with regards to the acceptance of the drillships</li> </ul>
<b>Bankability &amp; Funds Availability</b>	<ul style="list-style-type: none"> <li>• Several financing sources available for drilling rig projects (BNDES, ECAs, Commercial Banks, Capital Markets)</li> <li>• Strict financial-economic appraisal of the Project to ensure its capability to attain robust debt service coverage ratios (above 1.20x)</li> <li>• Specific security package to mitigate all risks related to delay or default of any debt service obligation</li> </ul>	<ul style="list-style-type: none"> <li>• Structural credit enhancements, such as Portfolio Financing, Renewal and Performance Funds</li> <li>• Asset residual value and active secondary market for this type of drilling rig</li> <li>• O&amp;G industry, and specially Pre-Salt, are strategic priorities to country development and count on full support and commitment from Brazilian Government and BNDES</li> <li>• Sete Brasil and BNDES are in advanced negotiations of the terms and conditions of the long term financing</li> <li>• Sete Brazil already started conversations with ECAs, e.g. US Eximbank (USA) and GIEK (Norway)</li> </ul>

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## Appendix



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